

### ASEAN and major powers: Japan and China - a changing balance of power?

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Veröffentlichungsversion / Published Version

Sammelwerksbeitrag / collection article

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:

SSG Sozialwissenschaften, USB Köln

#### Empfohlene Zitierung / Suggested Citation:

Umbach, F. (2000). ASEAN and major powers: Japan and China - a changing balance of power? In J. Dosch, & M. Mols (Eds.), *International relations in the Asia-Pacific : new patterns of power, interest, and cooperation* (pp. 171-213). Münster: Lit Verl. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-121976>

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# ASEAN and Major Powers: Japan and China – A Changing Balance of Power?<sup>1</sup>

*Frank Umbach*

## 1. Introduction

“The post-Cold War ASEAN is an ASEAN that can say ‘no’. They can say ‘no’ to China, being willing to engage in ‘informal’ diplomacy with Taiwan. They can say ‘no’ to Japan on matters of Japanese interests outside of ASEAN. They most definitely can say ‘no’ to the United States on a wide range of matters.”

(Donald E. Weatherbee in 1995<sup>2</sup>)

“In the final analysis, ASEAN countries recognise that their security, both at home and in the region, depends on a pluralism of power. In regional terms, ASEAN needs both great powers (China and the US) to be present in the region. ASEAN needs the US presence to maintain a balance between the great powers in the region, and ASEAN also would like to have China incorporated in the region in cooperative security arrangements.”

(Thus the respected Indonesian expert *Jusuf Wanandi* in an article in 1996<sup>3</sup>)

The Asia-Pacific region is currently undergoing a period of tremendous political and socio-economic change whose impact is felt at both regional and global level.<sup>4</sup> Both perspectives of economic prosperity and security challenges are characterised by rapid and dynamic changes. While ASEAN has so far defused rather than resolved intra-regional disputes and potential conflicts, it is generally agreed that the ASEAN sub-region has developed into an emerging security community.<sup>5</sup> Some observers and experts have described these trends as the “*Asiani- zation of Asia*”.<sup>6</sup> By celebrating its 30th birthday in 1997, ASEAN has expanded its membership and assumed new responsibilities. Simultaneously, however, ASEAN is facing new challenges to its political cohesion and domestic stability in the wake of the financial and socio-economic crisis. The haze clouding the region in 1997 and 1998 seemed to symbolise ASEAN’s inability to address the new security challenges and to forge joint solutions. The crisis tested the ability of the political elite within the ASEAN member states to set aside traditional ASEAN approaches of politeness and to come up with joint measures to tackle an en-

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1 This analysis is based on the findings of my former research project ‘Perspectives of Regional Security Cooperation in Asia-Pacific’, sponsored by the Volkswagen Foundation.

2 Weatherbee (1995: 4).

3 Wanandi (1996: 127).

4 To the global implications see Kaiser (1996).

5 To the evolution of ASEAN see Dosch (1997), Archarya (1993) and Rüländ (1995).

6 See, for instance, Funabashi (1993) and Yong Deng (1998: 86-110).

vironmental problem that transcends national boundaries. Furthermore, when Second Prime Minister *Hun Sen* violently ousted his rival, First Prime Minister *Prince Norodom Ranariddh* in early July 1997, contradictory statements about what mediation role he might accept from ASEAN and what kind of mediation would not violate ASEAN's primary principle of "*non-intervention*" in the internal affairs of other countries indicated the considerable inability of the old political elite to come to terms with the new challenges to the 21st century which demands joint, regional-wide answers to globalisation trends. ASEAN's rather tough stance toward *Hun Sen* by postponing Cambodia's admission to ASEAN as a fully-fledged member did not solve the deeper roots of the lack of political cohesion. Furthermore, its official invitation to Burma to join as a fully-fledged member was officially justified by an effort to counterbalance Chinese influence in Rangoon, but produced ongoing political friction with the U.S., the EU and to some extent even Japan. In sum, the balance of power seemed to tip in China's favour at the expense of ASEAN.

The last ASEAN two-day annual summit meeting on December 15-16, 1998 was symptomatic of that lack of unity.<sup>7</sup> By becoming increasingly inward-looking and divided between the closed, conservative societies of Burma, Laos and Vietnam and the more open political cultures of the six original member states, ASEAN disputed the admission of Cambodia and Thailand's proposed "*more flexible engagement between member states*" (to replace the hallowed concept of non-interference in the internal affairs of member states) and tried to find joint strategies for coping with the continuing socio-economic and political crisis. While in the economic realm at least, some progress towards implementation of an *ASEAN Free Trade Area* and to provide incentives for investors over the next two years for accelerating economic and financial reforms have been made during the annual summit, a consensus on important political issues could not be achieved.<sup>8</sup> For the time being the stipulation of the "*new Pacific century*" seems to have been postponed.

So far, the security landscape of Asia-Pacific has been determined in large by the major powers – the United States, Russia, China and Japan. Presently, East Asia<sup>9</sup> and its member states are all in the process of (re-)adjusting their security alignments. The end of the Cold War and the demise of the Soviet Union, as well as the reduction of the U.S. military presence in the region, have also left a political vacuum in East Asia that has created a "*window of strategic opportunity*" The roles of the United States, Japan, China, both Korean states, Taiwan and the ASEAN countries are changing in accordance with the fluid environment and "*new uncertainties*". These "*new uncertainties*" – as the Asian financial crisis has demonstrated – are primarily the result of rapidly changing internal and external factors.

The transformation of political systems and entire societies to cope successfully with the new political, social and economic challenges has always been critical in history as we can

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7 See also China News (18 December 1998: 5) and Vatikiotis (1998).

8 See China News (17 December 1998: 5).

9 The term 'East Asia' here in this chapter denotes the region comprising both North and Southeast Asia.

now see yet again not only in the example of the former communist and socialist countries in Europe. In this regard, the ASEAN states are no exception nor are the major powers in East Asia themselves, namely China and Japan. Stable external relations with these major and regional powers are an important factor for the future prosperity of the ASEAN states.

The future roles, missions and challenges within the specific triangular relationship among the United States, China and Japan have particularly created tension and uncertainties in Asia-Pacific, aggravated by domestic challenges, unresolved territorial conflicts, an arms build-up and proliferation challenges that have the potential to destabilise the entire region.<sup>10</sup> The evolution of ASEAN's multilateral economic cooperation and security institutions including with external powers in the *Asia-Pacific Economic Cooperation (APEC)* and the *ASEAN Regional Forum (ARF)* might still depend on whether or not the three major powers can produce a stable and cooperative relationship.

The following chapters will try to summarise the internal and external factors shaping ASEAN's relations with the two major East Asian powers in the region, namely China and Japan.<sup>11</sup> Although they cover both the economic and political dimensions of ASEAN's external relations with these two powers, this paper will focus primarily on foreign policy, security issues and strategic considerations. Moreover, this paper will also draw conclusions for the strategic perspectives of ASEAN's rather new multilateral security institution, the *ASEAN Regional Forum (ARF)*, and the question of its ability for conflict resolution within the Asia-Pacific. Analysing China's policy vis-à-vis ASEAN, special focus will be directed on Beijing's South China Sea policy as a case study and important indicator for the management of future relations in the Asia-Pacific region.<sup>12</sup>

## **2. Between Bandwagoning and Balancing? – ASEAN's Ambivalent Relationship to China**

China's relationship with Southeast Asia goes back almost 2,000 years. In the eighth century B.C., the Chinese began to fashion a concept of a "*Middle Kingdom*" superior to all other surrounding countries. More recently, the relationship between the ASEAN states and China has historically been burdened by China's involvement in a number of abortive coups by supporting local communist insurgents and by trying to use the so-called "*overseas*" Chinese as a fifth column for its own political ends in order to increase its leverage by interfering in internal affairs of ASEAN states. It was only in the 1970s that most of the ASEAN states started to establish diplomatic relations with Beijing. At the beginning of the 1990s, the relationship between ASEAN and China became easier. In contrast to the United States and Europe,

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10 See Anggoro (1998), Umbach (1998e, 1999a, 1999b and 1999c).

11 To a former analysis at the beginning of this decade see Parrenas (1990).

12 See also in this context Snyder (1997).

ASEAN countries – with the notable exception of Singapore (besides Japan the only country in Asia) – neither criticised China for the Tiananmen killings in 1989 nor did they impose sanctions. Beginning in 1991, ASEAN invited China as a guest of the ASEAN Ministerial Meetings (AMM). Later in 1994, China became a consultative partner of the newly created *ASEAN Regional Forum (ARF)* and finally, in 1996, a dialogue partner of the ARF. Nonetheless, new problems and tension have arisen between ASEAN and China that might once again complicate this future relationship between a rising great power and its smaller regional neighbors.

Although the ASEAN countries have become increasingly accommodated with the People's Republic of China (PRC) in the post-Cold War period since 1992, the nature of ASEAN's relationship to China remains ambivalent<sup>13</sup>, which has direct implications on ASEAN's relations with the other two major powers in Asia-Pacific: Japan and the United States. While most of ASEAN's policies towards China are guided by the economic perspectives of a huge Chinese market (the World Bank has also rushed to conclusions that China's economy will surpass the United States by 2020 in terms of total output and total purchasing power<sup>14</sup>), explaining ASEAN's "*constructive engagement*" strategy towards China, Beijing's ambiguous foreign and security policies are simultaneously a major concern in the region. The rapid modernisation programs of China's armed forces (including its nuclear arsenal)<sup>15</sup>, Beijing's territorial claims in the entire South China Sea and its "*gunboat-policies*" towards Taiwan have raised widespread concern over irredentist tendencies in China's foreign and security agenda. Beijing's policy to underpin these territorial claims with concrete political and military steps as well as the assertive nature of its Taiwan policy which does not exclude the use of force achieving political objectives have alarmed even those parts of ASEAN's political elite that have always favoured close relations to China. At the same time, ASEAN states and China, all in a similar critical stage of political and socio-economic transformation, are competing in world markets as well as for foreign investment. Nonetheless, China's bilateral trade with the ASEAN-6 increased at an annual rate of over 20 per cent to almost \$19 billion in 1995 with a 41,8 per cent increase over the amount of 13 billion in 1994. In total, 3 per cent of China's exports go to Southeast Asia and 7 per cent of ASEAN's exports go to China. In doing so ASEAN as a region has replaced Taiwan as China's fifth largest trading partner.<sup>16</sup> In 1995-96, the annual bilateral trade increased by further 50 per cent.<sup>17</sup>

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13 See Whiting (1997: 301) and see also Lee Lai To (1997).

14 See The Korea Herald (henceforth TKH), (23 April 1997: 7).

15 See Umbach (1998b: 31 and 2000a).

16 See Yong Deng (1998: 23f.) and TKH (16 December 1997: 12).

17 See Klintworth (1997: 24f.).

In regard to the regional military, all Southeast Asian armed forces have only very limited power projection capabilities balance despite their own military modernisation programs by incorporating high-tech weaponry and developing indigenous defence industries in recent years. China's armed forces as the "*next superpower*", have by contrast, so far faced no cuts due to the relative economic stability. In this light, the pace of China's military reforms and modernisation contributes to the security perception of a looming Chinese threat that might come true for its neighbors much earlier than previously assumed.<sup>18</sup>

The handover of Hongkong to China in 1997 revealed the ambiguity of ASEAN's relationship to China. Whilst on the one hand, ASEAN governments have seen in the return of Hong Kong an unique opportunity to gain access to mainland markets and promote their economic interests for a number of economic, political, social and strategic reasons (in contrast to Europe and the United States which remained critical to China's interpretation of the "*one country, two systems*" policy), on the other hand they have simultaneously perceived a resurgent China which could become the region's new imperial power. In their view, China's sovereignty claims in the South China Sea and the way that Beijing is pursuing its strategic goals – peacefully and benign or violently and assertive – are the litmus test for ASEAN's future relationship to China and a crucial factor for regional stability in East Asia. While the policies of ASEAN's member states towards China differ to some extent, all agree in generally that ASEAN's solidarity requires a common opposition to any use of force by the PRC.

## **2.1 "*Calculated Ambiguity*" – A Recipe for Potential Disaster? The Spratly-Islands and China's Sovereignty Claims in the South China Sea as a Litmus Test for Its Peaceful Intentions and Sincerity**

China claims almost all islands in the South China Sea which would make the "*Middle Kingdom*" a near neighbor of most of the other countries in the region. These claims increase the Chinese jurisdiction from 370,000 km<sup>2</sup> to approximately 3 million km<sup>2</sup>. Meanwhile, it has occupied the most important outermost points in the South China Sea, thus covering that claimed area.<sup>19</sup> The most complex and potentially most dangerous territorial dispute concerns the *Paracel* and *Spratly islands* in the South China Sea. The *Paracel islands* comprise a mere 130 barren islands. After seizing a portion of the *Paracels* occupied by South Vietnam in 1974, the Chinese People's Liberation Army (PLA) constructed a 2,700-meter airstrip on *Woody Island*, from which aircraft can to some extent control and attack areas as far south as the *Spratlys*. Since that time it rejected competing claims by Vietnam and Taiwan. Both islands are disputed by China, Taiwan, Vietnam, the Philippines, Malaysia and Brunei. China,

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18 To the impacts of the financial and currency crisis upon the armed forces and their procurement programs in East Asia see Umbach (1998c and 1998d).

19 See Leifer (1995) and also Ching (1999).

Taiwan, and Vietnam claim the whole group of islands, the Philippines almost all of it, and Malaysia a small portion of the southern part.

The most dangerous dimension of this potential conflict, however, are the claims of the People's Republic of China (PRC) to the *Spratly Islands*. During the Taiwan crisis from 1995-96 and being unimpressed by the presence of two U.S. aircraft carrier battle groups, Beijing signaled the U.S. Navy to keep out of the *Taiwan Strait*, which is about 180 kilometers (115 miles) across and separates Taiwan from China's *Fujian Province*. It reaffirmed its claim of the area as "*Chinese waters*". Shortly after the Taiwan crisis, on 15 May 1996, the *Beijing* government again unveiled a map which extended China's territorial claims in the South China Sea by over a million square miles – a sevenfold expansion of its maritime sovereignty. But free passages such as the *Taiwan Strait* and maintaining the status of international waters are important prerequisites for regional security and the stabilising mission of the U.S. Navy to guarantee open *Sea Lanes of Communication (SLOCs)*. The United States warned China that it will not accept a formal Chinese declaration which would restrict freedom of movement of U.S. warships and military aircraft in the South China Sea.<sup>20</sup> Other Asian states such as Japan also have a strong interest in the stability of the entire area because any disruption of commerce would be felt immediately throughout the Asia-Pacific region. Although Japan has renounced any claims it may have had over the *Spratly Islands*, it has vital security interest in free sea lanes and thus in the *status quo* because about 75 per cent of its energy imports and much of its merchant shipping passes through the South China Sea. Moreover, the involvement of Japanese oil companies in the *Spratlys* represents another important factor determining Japanese security interest of stability in the South China Sea.<sup>21</sup>

In the official view of the PRC and in striking contrast to the other claimant states since the passing, on 25 February 1992, of its *Law of the People's Republic of China on the Territorial Sea*, however, there is no dispute because they belong historically and legally to China. In doing so China shocked the ASEAN-states and Japan by declaring *de facto* the *Senkaku*-Islands and almost all territories of the South China Sea to be within its sovereign waters ignoring the claims of other states. Beijing has also stated that it would defend its claims of the disputed islands by force as it did in 1988 when the Chinese Navy seized six islands of the *Spratlys* and sank two Vietnamese naval boats. It was no coincidence that the new form of the Chinese assertiveness came just after the United States announced its withdrawal from the Philippines. Thereupon, ASEAN felt forced to announce an unprecedented statement (ASEAN's 1992 *Manila Declaration* on the South China Sea) in urging the peaceful settle-

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20 See Michael Richardson, *International Herald Tribune* (henceforth IHT), (19 September 1996: 4).

21 Moreover, historically, Japan occupied the *Spratly* islands and surrounding reefs in 1939. The Japanese imperial navy used one of the islands, *Taiping Dao*, as a submarine base in the World War II. At the San Francisco conference in 1951, Japan renounced all claims to the *Spratlys*, but it never resolved the ownership of the islands. To direct and indirect Japanese interests at the *Spratlys* – see Sato (1995).

ment of disputed territorial claims and the need to cooperate in order to ensure the safety of maritime navigation and communication as well as other forms of security cooperation.<sup>22</sup>

Disregarding ASEAN's appeal in 1992 for a peaceful settlement of territorial disputes, China early in 1995 seized the *Mischief Reef* lying about 150 miles west of the Philippine islands of *Palawan*. As a consequence, the situation deteriorated and escalated between China and the Philippines. The subsequent arrest of fishermen and the destruction of markers by the Philippines heightened the tension between both states. While the Philippines opted for negotiations and accepted international law, China seemed not to consider itself bound by the *Manila Declaration* of 1992. The Korean expert *Shee Poon Kim* saw in the Chinese step a "new chapter in China's return to its strategic presence in the Spratly Islands and the South China Sea, in particular, and in Southeast Asia, in general."<sup>23</sup> In his view:

"... the occupation of *Mischief Reef* was not merely a dispute over sovereignty with the Philippines, but rather a manifestation of China's larger concern for its political and strategic interests in the Asia-Pacific region in the face of its strategic challenges of the twenty-first century. In other words, China has a longer term strategic perspective in mind when dealing with its adversaries in the *Spratly* sovereignty dispute. From the historical perspective, China's growing assertiveness in the South China Sea is merely a return to a familiar area which has been perceived as its natural sphere of interest and influence."<sup>24</sup>

"In this sense, the occupation of *Mischief Reef* was not a surprise but a rationally calculated move by Beijing, and indeed a manifestation of China's growing nationalism, economic power and confidence."<sup>25</sup>

China's occupation shocked not only the Philippines, but also other ASEAN members. Malaysia's Prime Minister *Mahathir Mohamed*, in particular, was confused because he and his government had repeatedly dismissed any 'China threat' until 1995. China's missile firings and manoeuvres during the Taiwan crisis further surprised Malaysian officials who had advocated the cultivation of close relations to China. Ultimately, it questioned the ability of the Malaysian prime minister of an adequate net assessment of the new strategic reality in post-Cold War East Asia.

China's "historical claims" and its militaristic policy towards Taiwan have also raised tension and mistrust in Indonesia. Since China in 1993 published a map showing its historical claims, Indonesia – which often went farthest to accommodate *Beijing* – has begun to feel threatened by the Chinese claims which now included the natural gas-rich *Natuna Islands*. These islands are one of the world largest offshore gas fields and contain an estimated 1.27 trillion cubic metres of recoverable gas – approximately 40 per cent of all Indonesia's gas reserves.<sup>26</sup> Since that time, some Indonesian security experts have recommended adopting a 'more realistic' China policy and getting tougher towards *Beijing*. In their view, the initiated

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22 See ASEAN (1992).

23 Shee Poon Kim (1998: 371).

24 Ibid.

25 Ibid. (382f.).

26 Dupont (1996b: 289).



“*constructive engagement policy*” towards China should be replaced by a strategy of “*engagement with assertiveness*”.<sup>27</sup> Dewi Anwar Fortuna, another leading foreign and security expert on Indonesia, at the same time: “... *I think it would be foolish for us to be completely naive. ... China respects strength. If they see you as being weak, they’ll eat you alive.*”<sup>28</sup> Those voices of the younger generation in the ASEAN states provide an often striking contrast to the official and semi-official statements of the current elite.<sup>29</sup>

Whilst the adequate political response to the Chinese claims continues to be disputed among Indonesian foreign policy experts (as is the case in other ASEAN countries), Jakarta reacted by announcing its intention to increase military air patrols in the region and to encourage people to resettle on *Natuna Islands*. It has also quietly urged the United States to strengthen its engagement in the conflicts. Furthermore, in the summer of 1996, Indonesia initiated its largest air, land and naval manoeuvres, including amphibious assaults and airborne landing, with more than 19,000 servicemen, 50 warships and 40 combat aircrafts on the *Natuna islands* to demonstrate the will to defend its sovereignty of the islands.<sup>30</sup> A proposed law extends the country’s sovereignty over some 5.8 million square kilometers of land and waters.<sup>31</sup> At the same time, a review of the country’s maritime security resulted in the establishment of a new *National Maritime Council* to formulate policies on the preservation and protection of the seas and its more than 17,000 islands stretching for 5,120 kilometers along the Equator.

Given the fact that the Indonesian navy is still a primarily coastal defense force, Indonesia finally felt forced to widen and deepen its security and defense ties with Australia and the United States. It is now in the process of opening its waters more widely for free passage of foreign warships, including submarines.<sup>32</sup> In the light of *Beijing’s* sovereignty claims in the South China Sea, its unprecedented bilateral security agreement with Australia, reached in December 1995<sup>33</sup>, was a logical conclusion in order to prepare “*for a possible military confrontation with [mainland] China*”, as Juwona Sudarsono, a leading strategic thinker in Indonesia, has indicated.<sup>34</sup>

Although China has faced increasing political and diplomatic resistance from the neighboring ASEAN countries and is, indeed, risking to become isolated, by maintaining a

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27 Sukma (1996).

28 Quoted following an article by Michael Richardson, IHT (25 November 1996: VII).

29 Jusuf Wanandi, for instance, has recommended: „... Thus the Asia-Pacific should accomodate and encourage China to get its policies right. Containment or confrontation of China would be the wrong policy at this stage. ... If China were to establish itself as a revolutionary power, unwilling to abide by the rules (regional or global), there would still be time for the region and the international community to take the necessary steps to ease the situation“ – see Wanandi (1996: 125).

30 See Mc Beth (1996).

31 See ‘Indonesian Parliament Endorses Law on Territorial Waters’ (1996).

32 See Michael Richardson, IHT, (16 May 1996: 4).

33 To the agreement see Dupont (1996a).

34 Quoted following Seth (1996).

kind of “*salami-tactic*” and by playing chess with its neighbors – one offensive move forward to bolster its territorial claims and then waiting on a counterreaction, thereby hoping to stimulate divisions among the ASEAN states.

In the spring of 1997, Beijing yet again raised the stakes by conducting oil and gas exploration drilling off central Vietnam in waters claimed by Hanoi. Since the “*asymmetrical normalisation process*” between Vietnam and China in 1991, China violated Vietnamese territorial waters at least nine times in the years prior to 1997.<sup>35</sup> But in contrast to previous years when Vietnam was still isolated in the region, the Chinese tactic had backfired. Vietnam received significant political and diplomatic support from its fellow members of ASEAN and by proposing open discussions on a possible military relationship with the United States – a nightmare for China, which is fearing a U.S. military containment in the region. An ASEAN-diplomat stated: “*Automatically ASEAN will support Vietnam. It’s all for one and one for all.*”<sup>36</sup> Nonetheless, ASEAN seemed largely to follow Beijing’s insistence on bilateral negotiations for solving territorial disputes. On the other hand, ASEAN became more suspicious of China’s offer for “*joint development*” of disputed areas. They saw them “*less as a genuinely conciliatory suggestion and more as a Chinese ploy to gain a foothold in areas claimed by the People’s Republic*” as Tim Huxley has argued.<sup>37</sup>

Though the ASEAN states often seem to accommodate rather than to confront China’s strategic power, they had seen Beijing’s exploration vessel drill as yet another litmus test which forced them to react.<sup>38</sup> Finally, the repeated calls on China to withdraw the oil exploration vessel mounted in a diplomatic defeat for Beijing that further damaged its international image. But the incident also underlined the fragility of the “*constructive engagement*” policy of the ASEAN states towards China<sup>39</sup> and explains Beijing’s interest in solving any territorial dispute bilaterally rather than in multilateral forums. Moreover, it was again an open setback to the ARF’s efforts to engage China, particularly over those kinds of conflicts. Even the Philippines, militarily the weakest ASEAN state and engaged in a dispute with China over the *Spratly islands* and the *Scarborough shoal* in the *Macclesfield Bank* in the South China Sea, announced a comprehensive military modernisation program after new clashes with Chinese vessels violating its waters several times in the beginning of 1997.<sup>40</sup> A Chinese sponsored and promoting goodwill tour of a group of fellow amateur radio hobbyists, carried by the *Chinese State Oceanic Administration* to reach the *Scarborough Shoal* which is claimed by China and the Philippines, provoked another conflict in the early summer of 1997. Reportedly, the Chinese government paid “*ten of thousands of dollars*” for the boat charter. For the Philippines, it

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35 See Ba (1997: 640f.).

36 Quoted following TKH (25 March 1997: 5).

37 Huxley (1998: 116).

38 See also ‘Drawn to the Fray’.

39 See Jeremy Grant, *Financial Times* (henceforth FT), (5-6 April 1997: 3).

40 See also the *Asian Defence Journal* (henceforth ADJ), (3/1997: 71).

looked like a deliberate strategy by China using non-military means to reinforce its territorial claims and to test the political will of Manila.<sup>41</sup>

While all territorial claimants in the South China Sea have stated their preference for peaceful solutions and negotiations, China seems to stick to the military solution to the territorial problems open. Arguments by Western experts that dismiss China's sovereignty claims and corresponding military options (because occupied islands are presently not defensible for the Chinese armed forces and would confront Beijing with severe logistical problems) overlook the fact that China is a growing nuclear power and that the ASEAN states as well as Japan, Taiwan and others currently lack sufficient amphibious forces capable of regaining occupied islands. The United States alone has thus far sufficient and effective amphibious forces to conquer defended islands in the South China Sea. But such a military option is, not only for China, a high risk game for both political and military reasons.<sup>42</sup> Thus the continued reliance on aircraft carriers and their, for instance, *Aegis* equipped surface escort ships is rather unsuited to and militarily dangerous for littoral conflicts in the Taiwan Strait or the South China Sea.<sup>43</sup> Ultimately, what matters in this regard is primarily security perceptions and expectations rather than any well-balanced analysis of strengths and weaknesses of the claimant states. Military history, including China's, is full of examples of weaker military forces that defeating much stronger military rivals. Circumstances, pre-conditions, motivation and particularly a superior strategy have often been more important than numbers.

Whether the United States would be really willing to take such a risk for a few uninhabited islands in the South China Sea, is indeed the crucial question for ASEAN's security experts. It explained ASEAN's newly defined defence policies and military doctrines prior to the outbreak of Asia's financial crisis in 1997, which were based increasingly on such a scenario and which determined its planned acquisitions of new state-of-the-art weapons systems.<sup>44</sup>

Although China verbally agreed in the *ASEAN Regional Forum (ARF)* not to change the *status quo* in the South China Sea through unilateral steps alone and, instead, to seek a peaceful solution through negotiations, China has continued to test the political will of Vietnam and the Philippines as well as their support within ASEAN. In August 1995, the Philippines and China agreed on a code of conduct to avoid any direct confrontations over the Spratly islands<sup>45</sup> which had been signed in November 1995.<sup>46</sup> However, the Taiwanese expert *Peter Kien-hong Yu*, reminded the international community and particularly the ASEAN states in 1997 of China's "*dialectical games*" in its foreign and security policies. Despite the new multilateral security discussions and confidence building measures initiated in 1994 in the frame-

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41 See Sherry/Tiglao (1997).

42 Concerning China see the analysis by Gallagher (1994).

43 To this and other examples see Chan (1997) and Young (1998).

44 See also Umbach (1998e) and Anggoro (1998).

45 Yann-huei Song (1997: 331).

46 See Snyder (1997: 26).

work of the ARF and CSCAP processes, in his view, China has not given up its claims of almost the entire South China Sea:

“If things proceed smoothly according to its terms, the PRC will agree to jointly develop the organic and mineral resources in the South China Sea with each of the regional governments. After those resources have been depleted, and in the event further negotiations fail, Peking would likely turn to the military option to back its territorial claims. The strategy of unilateralism would once again be revived. In sum, Peking’s behavior will continue to be unpredictable. It will fluctuate between the two extremes.”<sup>47</sup>

Moreover, despite an emerging solidarity within ASEAN when China tested the political will of the organisation in 1995 and 1997, China’s efforts to pursue its strategy “*at limiting alliances forming against them have been remarkably successful, particularly during the period they needed this success most: in establishing a physical presence in the Spratlys and gaining some recognition of the legitimacy of China’s sovereignty*”.<sup>48</sup> And indeed, they have rather successfully frustrated numerous attempts by some ASEAN states to internationalise the dispute, thereby insisting only on bilateral negotiations which provide Beijing with considerable strategic advantage of manoeuvre over its much weaker opponents.

China’s more recent policies in the South China Sea have confirmed that China appears to follow a dual strategy of a “*creeping occupation*” to create *faits of accomplis* in the South China Sea and diplomatic appeasement vis-à-vis ASEAN. In mid-April 1998, three Chinese ships provocatively anchored in the vicinity of a Vietnamese-garrisoned area of the *Spratlys*. In August last year, the Philippine Air Force discovered four Chinese ships anchored near the Philippine-claimed *Scarborough Shoal*. It prompted a rapid response by the U.S. Navy and Philippine naval vessels in a live firing exercise near the shoal.<sup>49</sup>

On 28 October 1998, aerial imagery of the Philippine Air Forces have shown that China recently completed new structures on the *Mischief Reef*, which is much closer to the Philippines than to China. They include fortified three storey-buildings, a new pier, an observation post, a military command centre, gun emplacements and radar facilities. The constructions had been guarded by Chinese naval ships and anti-aircraft artillery. Additionally, it should include a military air strip (helipad). The new facilities look like fortifications, similar, but larger to those they have in the *Chigua* and *Fiery Cross* reefs.<sup>50</sup> In the view of almost all the other North and South East Asian states, this represents a clear violation of the previously agreed *status quo*. The irresponsible and intimidating action has thus further undermined ASEAN’s approaches for confidence building and regional security within the ARF and CSCAP activities. As the Philippine Foreign Secretary *Domingo Siazon* declares: “*We told them to leave Mischief; they said no. We asked them if they’d be willing to have the dispute*

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47 Kien-hong Yu (1997).

48 Roberts (1996: 25).

49 See Jane’s Intelligence Review (October 1998: 2).

50 See Tiglao et al. (1998).

*settled through international arbitration. They said no. We told them if they'd be willing to have a joint-development arrangement for Mischief. They said they'll think about it."*<sup>51</sup>

In response, the Philippine armed forces were ordered by President *Joseph Estrada* to boost its presence in the region with the deployment of additional vessels and reconnaissance aircraft. Reportedly, a major deployment of Philippine marines to *Palawan* and the *Spratlys* was also being prepared.<sup>52</sup> Moreover, they detained 20 Chinese fishermen near the reef. Thereupon, China warned the Philippines not to escalate the tension and to release the fishermen and the six impounded fishing vessels. Beijing insisted anew on the "*indisputable sovereignty over the islands and the seas around them.*"<sup>53</sup> Being unable to confront China militarily and to do much about the situation except to continue talking with Beijing and trying to get international opinion on its side, the Philippine President *Joseph Estrada* pushed the *January 1998 Visiting Forces Agreement (VFA)* with the U.S. through the ratification process of the Senate which would also enable the Philippine armed forces to conduct joint large-scale exercises with the U.S. forces on Philippine soil and in the region.<sup>54</sup> Although China has promised not to build new structures in the *Spratly islands*, new "*renovations*" (so the Chinese justification) cannot be excluded as Beijing's behavior has shown. Though China has repeatedly offered "*joint development, including fisheries development and exploitation on equal sharing basis*"<sup>55</sup>, those proposals are dependent upon the willingness of the Philippine side to accept China's territorial sovereignty over the *Spratly islands*.

Even more important for Beijing's strategy of a "*calculated ambiguity*" was the timing of China's renewed aggressiveness.<sup>56</sup> As it had done on several occasions in the past, China consistently moved to reinforce its claims in the South China Sea at times and towards those counter-claimants when they were weak. Many security specialists in the region have interpreted China's behaviour as another indicator for how much the balance of power and influence has shifted to China since the onset of the region's economic crisis, which have weakened ASEAN economically, militarily as well as politically. Furthermore, the construction was built just before the APEC conference (taking place on 17 November) at which China pledged funding for ailing Asian economies and the ASEAN December summit in Hanoi whose both agendas had already been agreed. Given that fact and their attention being occupied by the severe socio-economic and political crisis at home, the Philippines could not mobilise the official strong political support of its ASEAN brethren like in 1995 and 1997.<sup>57</sup> Once again, China's provocative policy in regard to the *Spratly islands* has thus revealed the increasing asymmetric power relationship between China and the other five claimant states.

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51 Quoted following *ibid.* (20).

52 See Hollingsbee (1999).

53 Quoted following Michael Richardson, IHT (2 December 1998: 4).

54 See Peter Montagnon/Tony Tassell, FT (11 March 1999: 4).

55 Mario B. Casayuran, Manila Bulletin (31 March 1999).

56 See also Michael Richardson, IHT (2 December 1998: 4) and Tiglao et al. (1998).

57 See ADJ (4/1998: 102).

Consequently, the result has been a pattern of opportunistic and sometimes aggressive Chinese behaviour<sup>58</sup> which is also demonstrated by building Chinese satellite relay stations in the spring of 1998 on a group of islands over which Vietnam also claims sovereignty.<sup>59</sup>

The failing support by its ASEAN brethren, even more than China's provocative behaviour itself, might have significant long-term security implications for ASEAN and the stability in the region. *Kowtowing* to China's increasing assertiveness might indeed only encourage more dangerous behaviour. Lacking any understanding of strategic thinking, ASEAN's Secretary-General *Rodolfo Severino* stated as an excuse: "*We have bigger problems to deal with, particularly the economy.*"<sup>60</sup> In this light, ASEAN, being unable to combine in defence of their interests, failed miserably. As *Ralph A. Cossa* has put it: "*The message to China is that further expansion will not be seriously protested, much less contested. This is a recipe for potential disaster.*"<sup>61</sup> Indeed, in the light of "*preventive diplomacy*", ASEAN's failure to confront China might rather increase the prospects for further miscalculation on both sides. In this regard, China's ongoing provocative behaviour and future Philippine or Vietnamese counter- or overreactions are an "*accident waiting to happen*". It might trigger accidents and miscalculations that can result in a violent escalating conflict even against the political will of both sides. China has still to recognise those dangers of unilateral actions of a '*creeping occupation*', linked with armed displacement and armed enforcement that changes the *status quo* in the region. The 1996 unexplained clash between the Philippine navy and suspected Chinese gunboats 120 km northwest of Manila, for instance, is just one example of those inadvertent naval confrontations.<sup>62</sup> Feeling betrayed by China as well as by the other ASEAN states<sup>63</sup>, the Philippines, meanwhile, has strengthened their defence cooperation with the U.S by signing and ratifying the *VFA*.

In this context, it is important to note that the Chinese understanding of territorial sovereignty is not only antiquated in the era of globalisation in regard to official positions of the Chinese government. Even political reformers and dissidents have defended China's "*national interests*" in the South China Sea and its territorial claims as a "*sacred duty*".<sup>64</sup> In their view, China's territorial claims are ultimately "*on-negotiable*" and often even the use of force as an instrument of foreign policy and tool of coercion to achieve political objectives in the South China Sea cannot be excluded.<sup>65</sup> At the same time, as the number of competing commercial and military activities as well as hardware increases, the likelihood of unintended confrontations between claimants is rising too.

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58 See also Strecker Downs/Saunders (1999: 140f.).

59 See ADJ (4/1998:102).

60 Quoted following Tiglao et. al. (1998: 18).

61 Cossa (1998b).

62 Cossa (1998a).

63 See also Cossa (1998b).

64 See the interview with the political dissident Wei Jingsheng, *Die Welt* (29 March 1999: 8).

65 See also Huxley (1998: 116).

## 2.2 The Security Context in Perspective: Demands of Energy and Natural Resources<sup>66</sup>

Despite the recent eruption of numerous territorial disputes in East Asia, it seems that those conflicts are not so dangerous that they destabilise the entire region, which would always require a strong and timely international intervention. Presently, all claimant states seem principally aware that they will only benefit from the putative oil and gas deposits and mineral reserves in the South China Sea – which are estimated to be similar to those in the Persian Gulf – or the rich fishing grounds of the *Okhotsk Sea* when they can be fully developed in an atmosphere of stability and peace in the region. But tense rivalries over those lucrative deposits are also the result of declining domestic stocks and the expansion of an economy that demands more and more resources not to be found in their countries. Consequently, in the light of the region's remarkable economic growth, Asian energy demand is not keeping pace with energy supply. In the next 15 years, East Asia's energy demand might well double whilst Asia's current 75 per cent dependence on that region for its oil supplies is believed to rise to 95 per cent.<sup>67</sup> The consequence might be an unsettling combination of more competitive Asian regional energy markets and rising dependence on the Middle East. Although the current economic crisis has also dampened the overall energy demand in Asia, the decrease in the demand for oil has often been highly exaggerated.<sup>68</sup>

China is also in this regard a particular problem and challenge because it holds the key to regional energy security. China's energy usage is one of the most important political and economic issues facing Asia over the next 20 years. With 9.6 million square kilometers and a population of 1.17 billion, in 1993 it became an oil-importing nation for the first time in about 30 years and is meanwhile already the second-largest energy consumer in the world behind the United States. China currently imports 600,000 barrels of oil per day, which might increase to 3 million barrels by the year 2010. Analysis suggest that the gap between oil supply and consumption will rise to 50m tons whilst indigenous supplies in China can satisfy only 70 per cent of its oil demands by the year 2000, as a consequence of the increasing imbalance between escalating economic growth and lower domestic oil production until the end of the century and beyond. By tripling its energy demand by 2010-2015, China will become the world's second largest oil consumer behind the USA.<sup>69</sup> It seems to be only a question of time before China will finally surpass the United States as the leading consumer of energy.

The country currently gets 80 per cent of its energy from coal. Any further increase in coal production will lead to further environment degradation and ultimately hamper economic growth. China is already second only to the United States in emissions of the greenhouse

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66 In this context see also Umbach (2000c).

67 See Martin/Imai/Steeg (1997: 95ff.)

68 See Robert Lim, *Business Times* (Singapore), (2 June 1998), Ji Guoxing (1998b), Yergin et.al. (1998).

69 See Ziaojie Xu (1997: 15), Martin/Imai/Steeg (1997: 90ff.), Salameh (1996), Valencia (1997), Kanayama (1995), Calder (1996a) and Walker (1996).

gases that cause global warming. Together with the United States, both countries account for more than 36 per cent of such emissions worldwide.<sup>70</sup> Increasing the use of natural gas would certainly ease the country's dependence on coal and oil, but depends on considerable domestic and foreign investment. Over the next five years, China's demand for *liquefied natural gas* (LNG) – like in the rich *Natuna fields* – is expected to rise by 72 per cent to 18.13 million metric tons per year while the demand within Asia as a whole will simultaneously also grow further.<sup>71</sup> Symptomatically for China's looming energy problems, the *Chinese National Petroleum Corporation* (CNPC) has embarked on a number of overseas oil and gas explorations and production in Peru, Thailand, Venezuela and Canada. It has successfully competed recovery oil from a Sudanese oilfield and is now studying other options in Russia, Pakistan, Kazakhstan, Indonesia, Egypt, Ecuador and Argentina. Other Chinese energy projects have been pursued in Malaysia, Turkmenistan, Thailand, Mongolia and Bangladesh.<sup>72</sup>

As one way out of these energy dependencies and being confronted with increasing environmental problems such as acid rain, air pollution and global warming effects, nuclear power might be the primary energy solution for East Asian states and an alternative or substitute for their coal-fired power with its massive emission of greenhouse gases. At the same time, however, the civilian use of nuclear power offers incentives and some important technology know-how, which could speed up the development of nuclear weapons.<sup>73</sup>

Similar demands arise for the Chinese leadership in regard to other natural resources such as water<sup>74</sup> and food. Annually, China is losing 11 billion square metres of arable land whilst its huge population further continues to grow by almost 20 million per year despite China's harsh “one-child” policy. Given the fact that the amount of arable land per person in China is already less than one-third of the worldwide average<sup>75</sup>, the search for Chinese *lebensraum* and the major policy goal of recovering lost Chinese territory no longer seem merely the result of historical ambitions. Hence the search for living space and ‘*Lebensraum*’ have culminated in a new nationalist ideology, demanding that “*our area for survival is shrinking ... Actually [we have to] reclaim sovereignty and sovereign interests in the oceans – territorial seas, continental shelf and exclusive economic zones – a total area of 3 million square kilometres.*”<sup>76</sup>

Hence China's increasing assertive behaviour in the South China Sea since the end of the 1980s must be seen in the wider context of its energy and other resource-related policies which are a basic pre-condition for its future economic growth.<sup>77</sup> Confronted with declining oil reserves and rapidly growing domestic consumption due to the economic growth, China is

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70 See Jack Gibbons, IHT (23 April 1997: 8).

71 See Blanche/Blanche (1995: 511).

72 See ‘China's Overseas Oil Ambitions are Growing’ (1997).

73 See Calder (1996b).

74 Demand for water is likely to double in Asia by 2025 – see Edward Luce, FT (16 May 1997: 5).

75 See Roy (1996).

76 See the quotations from the PLA-book ‘New Scramble for Soft Frontiers’ (1995).

77 See also Garver (1992: 1021f.) and You Ji (1995: 380).



under increasing pressure to find new reserves. Though experts disagree about the size of potential oil resources in the disputed territories within the South China Sea such as the Spratly archipelago, China seems confident of the existence of very large reserves as numerous Chinese surveys have indicated. Thus already in 1989, a Chinese expert had argued:

“International competition and struggle will focus increasingly on scientific and technological superiority. But such traditional strategic objectives as control of natural resources, markets, land and sea lanes will by no means become insignificant. In many areas, contention over these traditional objectives may lead to new acute conflicts. Because many will view each inch of land as precious as gold and every drop of water as valuable as oil, especially in areas with too many mouths to feed and too little to feed them with, new conflicts may be inevitable regardless of man’s will. New and old land and sea border disputes – such as the invasion China’s islands in the South China Sea – are intensifying with each passing day and may not necessarily wait until the next century. It seems particularly clear that the main direction of future conflicts is shifting towards the high seas.”<sup>78</sup>

*Ji Guoxing*, a leading Chinese expert on Beijing’s South China Sea policy, confirmed in 1998:

“Energy security is matter of life and death for China. China is well aware that energy is one of the most critical issues in the development of its economy, and that the realization of its modernization is inseparable from the question of energy resources.”<sup>79</sup>

An U.S. expert, *Michael Studeman*, has recently cogently concluded in a detailed analysis the primary importance of China’s energy policies as a determinant for China’s policies in the South China Sea:

“Economic imperatives have emerged as the crucial factor in the timing and rationale for China’s expanded presence in the South China Sea. While the golden thread of sovereignty is interlaced with China’s every move in the *Spratlys* in particular, current trends indicate that China takes action when economic threats break a threshold of tolerance. As innocuous as they appear, offshore joint development schemes sponsored by Vietnam, Malaysia, and the Philippines have been consistently interpreted by Beijing as serious threats to its prosperity. Indeed, the triggers that set PLAN warships into motion are resource-related encroachments by China’s neighbors. In an era of resource scarcity, these events more than any other heighten China’s sense of territorial and economic vulnerability. Viewed in this light, China’s occupation of reefs in 1988, the 1992 sea law, and the *Mischief Reef* takeover were driven less by opportunism than a belief that it was necessary to respond to imminent challenges to presumed Chinese domination over these maritime area.”<sup>80</sup>

Although the question of how much oil and gas is in the *Spratly Islands* region has yet to be determined, China’s policy follows its expectations as well as assumptions about potential oil and gas reserves.<sup>81</sup> In addition, it is closely linked with territorial sovereignty issues and the power of Chinese nationalism filling the ideological vacuum left by the demise of the maoist-communist ideology.

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78 Zhang Jingyi (1989: 24).

79 Ji Guoxing (1998a: 105).

80 Studeman (1998: 87).

81 See also Young (1995: 19f.).

However, energy resources are not the only factor, which might trigger resource-related conflicts in the region. Fishing conflicts, for instance, have a long history in Southeast Asia. Asia's fish stocks are shrinking because of over-exploitation and pollution. Additionally, the increase in fishing fleets has contributed to deplete regional fishing stocks.<sup>82</sup> The competition between increasing numbers of fishing boats might some day lead to a new era of fish wars. During the last decade, the competition for scarce resources has repeatedly led to clashes between neighbors in Southeast. Presently, six of the 10 leading fish countries are Asian: China takes the world's biggest catch (at 12 million tonnes in 1990); Thailand is the world's biggest fish seller, and Japan is the world's biggest fish buyer, accounting for a third of world imports. The 1982 UN *Convention of the Law of the Sea*, by stretching national maritime boundaries to 200 sea miles from shorelines, has brought more than three-quarters of the world's waters and 90 per cent of the world's fish into national jurisdiction, which has resulted in overlapping territorial claims. An article in the "*Far Eastern Economic Review*" in March 1997 warned:

"Fishing supports more livelihoods and fish sustains more diets in Asia than in any other region of the world. No surprise then that competition for scarce resources is leading to clashes between neighbors, particularly in Southeast Asia, as fishing fleets stray across maritime borders depleting stocks in their own waters."<sup>83</sup>

The South China Sea has so become a potential source of increasingly scarce resources. Accordingly, a modernisation of China's armed forces with special focus on its air and naval forces started in the 1980s. At the same time, since the end of the 1980s, China's naval forces had already abandoned its former "*coastal defense strategy*" and proclaimed the development until 2040 of a blue-water navy with aircraft carriers as its centrepiece.<sup>84</sup> Since the second half of the 1980s, the traditional "*offshore active defense strategy*" has also been redefined with four new factors for modern naval warfare. As a Taiwanese expert analysed: "*the defense concept of extended strategic depth; the emerging perception of local wars as the main form of armed conflict in the future; the justification of offensive operations under the rubric of active defense; and the emphasis of the 'expertise' and technology over the 'red' dimension and political indoctrination.*"<sup>85</sup> These doctrinal shifts were the major stimulus for China's modernisation and procurement policies. Since the mid-1980s and even more since the beginnings of the 1990s, the PLA's modernisation programs has pointedly focused on the nuclear armed forces, the navy and the air forces. They have fueled fears of a possible military clash over long-standing territorial disputes in the South and East China Sea (Spratlys, Tiaoyutai islets etc.).

In this light, China's changing offshore strategy in the second half of the 1980s, from a traditional "*coastal defense*" to "*defense of the adjoining seas*" to cover widespread sover-

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82 See also Saywell (1997).

83 Ibid. and Fairclough (1997).

84 See also Downing (1996a and 1996b) and Arari (1998).

85 Huang (1994: 19).

eighty and offshore interests, as well as the Chinese weaponry acquisitions by placing priority on air and naval modernisation and expanding programs, must be seen in the context of rapidly raising energy demands and import problems from abroad as well as demands on other natural resources. Taking into account that currently the Middle East has approximately 66 per cent of the world's oil reserves while Asia has only 4 per cent, not only the sea lanes in the South China Sea are utmost important for China and the other new major consumers in Asia but also those of the Indian Ocean and of the *Straits of Malacca*.

### 2.3 Implications for ASEAN's Constructive Engagement Policy Towards China

All East and Southeast Asian countries tend to reinforce their claims not only by diplomatic but also by military means. They might feel pressed to do so before any Chinese military buildup could fundamentally alter the balance of power in the region. With better equipped navies as the result of the region's arms build-up and economic growth in the last years<sup>86</sup>, all competing South China rivals and South East Asian states will in the near future have the means to enforce their claims and protect their fishery interests towards the others. In the light of rapidly changing security challenges and the acquisition of long-range weapons systems, the geographical division in (North) East and South East Asia is no longer reassuring for ASEAN. Any conflict in one or the other subregion will have severe impact on the entire region.

In the light of the shrinking of energy resources and growing demand, these territorial disputes might become even more dangerous in the near future by escalating other conflicts between Asian-Pacific states if they will not be addressed more efficiently and effectively in multilateral security forums as a way of finding a *modus vivendi* between all claimant states. Furthermore, China's claims in particular complicates the issue of overseas Chinese on the region and might raise questions about their national identity and regional loyalty<sup>87</sup> – albeit the potential of using them as an instrument of Beijing is often exaggerated.<sup>88</sup> Thus far, some ASEAN states such as Indonesia and Malaysia prefer to resolve their disputes over the *Sipadan* and *Ligitan* islands, for instance, rather through traditional bilateral negotiations (referred often to as the typical '*Asian way*'), or agree to refer the conflict to the UN *International Court of Justice* for adjudication. Others such as Thailand and Malaysia have agreed to resolve their dispute over a 7,250 square-kilometer area of overlapping claims in the South China Sea by establishing a joint development zone for natural oil and gas production.<sup>89</sup> But not all of the overlapping claims are bilateral in nature and not all disputes can be resolved

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86 See also Umbach (1998e).

87 See also Ba (1997: 642).

88 See also Goodman (1998).

89 See Michael Richardson, IHT (24 September 1996: 4).

bilaterally, particularly when China is involved and a single ASEAN state is too weak to withstand Beijing's claims in the South China Sea.

Against this background and given China's difficult domestic transformation process, any constructive engagement policies from outside might have only limited success if one considers the political priorities of China's leadership (such as political and systemic stability) and the widening diverse interests of the elite. Parts of the Chinese military elite appear to be one of the main driving forces behind China's assertiveness. They have played a central role in foreign policies as a result of the weakness of the current party leadership and the corrosion of the communist ideology recent years. Despite China's preoccupation with economic modernisation (by maintaining simultaneously a socialist political system) and by trying to emerge as one of the largest economies as the world which demands trust and confidence in its relations with its neighbors for future economic prosperity, these domestic circumstances make China's foreign and security policies inevitably to some extent unpredictable for ASEAN. Furthermore, the South China Sea is vital for China's survival. It has been the main corridor for China's trade and the principal gateway to the outside world. It provides access to the economic heartlands of southern China. Though China published *Defence White Papers* in 1995<sup>90</sup> and July 1998<sup>91</sup> and has made some progress towards more openness, the lack of transparency in China's security and defence policies still raises suspicion, distrust and concern within the region. In this light, the main uncertainty for the future stability and prosperity of the region remains China in the foreseeable future. Against this background, the main difficulty and task how to engage China in order to solve the traditional security dilemmas in the region will remain at the top of the future regional security agenda as *Jose T. Almonte*, the Philippine adviser for the president and the General Director of the *National Security Council*, has confirmed:

"East Asia's greatest single problem is how to incorporate China into its regional arrangements – how to 'socialise' the country by reducing the element of threat while accentuating the positive elements in China's regional relationships." <sup>92</sup>

On the other hand, the potential energy and mineral resources in the South China Sea might only be commercially exploitable with foreign investment and technologies. Thus, China's economic dependence on Japan, the U.S. and the EU might increase rather than decline in the age of globalisation – a fact which might constrain China's foreign and security policies in the 21st century.

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90 In reality, it was merely a statement on China's arms control and disarmament policy. The first real 'Defence White Paper' has been published only in July 1998 – see Klintworth (1998).

91 See *ibid.* and 'China's National Defense' (1998).

92 Almonte (1998: 83).

### 3. Playing a Regional-Wide Security Role in Asia-Pacific? – ASEAN's Ambivalent Relationship to Japan

#### 3.1 Redefining Japan's Foreign and Security Agenda in the Post-Cold War Era

Japan, too, is in the midst of adjusting its foreign and security agenda to the newly emerging regional and global framework, as well as the general security environment.<sup>93</sup> But the Japanese search for an internationally acceptable regional and global role is greatly complicated by a continuing economic recession, deep-seated pacifist roots in the political culture and external developments as well as expectations of its Asian neighbors and Western partners.

During the 1980s and the first half of 1990s as a “civilian power” (Hanns W. Maull<sup>94</sup>) it concentrated its economic and investment policies in the Asia-Pacific region and, in doing so it also expanded its cultural and political networks.<sup>95</sup> During the same period, intra-regional trade has grown faster than extra-regional trade. Thus Japan has become the largest source of aid to ASEAN countries. Trade with the five ASEAN countries amounted to \$74 billion in 1995 (some 16 per cent of its total trade), and the cumulative investment in the area was \$33 billion. Furthermore, with the exception of Singapore, Malaysia and China, Japan has also become the largest foreign investor in all of the region's major countries.<sup>96</sup> Against the background of increasing welfare and prosperity in Japan and the entire Asia-Pacific region, the Japanese hesitation and reluctance in unilaterally pursuing an explicit independent role for itself in the maintenance of Asia's regional security has proven to be quite comfortable for Japan and its Asian neighbors.

With the end of the Cold War regional security has changed with new arising security challenges and uncertainties. Coping with new potential security threats, Japan needs to expand its security ties in the region. Japan, for instance, has the largest volume of inter-regional trade and shipping through South-East Asia's *SLOCs* and is thus mostly vulnerable to any interruption, particularly oil supplies. Thus, a close political cooperation with the ASEAN countries will be a crucial prerequisite for Japan's political and economic stability in the future. Furthermore, after the Gulf War 1990-91, a “*chequebook-diplomacy*” and “*sending money*” to increase steadily its sphere of influence and to fulfil the international obligations in the region while others have to pay with the death of their soldiers is for Japan (as it is for Germany) no longer acceptable in the view of other global and regional powers. That has complicated Japan's intention to become a permanent member of the U.N. Security Council.<sup>97</sup>

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93 To the internal debate in Japan see also Hashimoto (1997), Spruyt (1998), Noda (1997), Mochizuki (1995) and Baginda (1994).

94 Maull (1991).

95 To these networks see in particular Katzenstein/Shiraishi (1997).

96 See also Kreft (1996).

97 See Drifte (1998).

Against this background, Japan's often caricatured "*trader's diplomacy*" in the traditional sense has now to cope with new internal and external circumstances that will shape new directions and goals of Japan's foreign policies on the regional and global level. It demands, as *Reinhard Drifte* has concluded for Japan's quest for a permanent seat on the U.N. Security Council, that "*the whole policy culture (including domestic politics) has to change.*"<sup>98</sup>

Since the beginning of the 1990s, Japan has, indeed, tried to widen and to deepen relations with ASEAN. In January 1993, Prime Minister *Miyazawa* announced the so-called "*Miyazawa-doctrine*", proclaiming the need for a close Japan-ASEAN dialogue to promote regional stability. It followed former Japanese initiatives to strengthen ties with Southeast Asia.<sup>99</sup> His "*two-track approach*", announced in July 1992 in Washington, envisioned the strengthening of the U.S.-Japanese security relationship whilst simultaneously the traditional bilateralism has been complemented by new efforts towards "*the promotion of subregional cooperation to settle disputes and conflicts*" and "*region-wide political dialogue to enhance the sense of mutual reassurance.*"<sup>100</sup> Japan has also created new subregional security ties and important defence linkages with the ASEAN countries, South Korea and China.<sup>101</sup> In the last four years, Tokyo also extended its defence relations to Vietnam<sup>102</sup> and particularly to Australia. Canberra has often taken over the role of the United States when it was impossible for Washington to strengthen its military ties. In this respect, the Indonesia-Australian security agreement of December 1995 is a perfect example of Australia's growing security and defence role in the region.<sup>103</sup>

At the same time, Japan has played a pivotal role as one of the "*drafters*" in establishing a multilateral security dialogue, cumulating in the creation of *ASEAN's Regional Forum (ARF)* and the *Council for Security Cooperation in Asia-Pacific (CSCAP)* as a "*track two*"-process of the ARF.<sup>104</sup> For Japan's Foreign Ministry, this multilateralism was a vehicle to enhance trust and confidence in the region without undermining the existing bilateral security relationship with the U.S. Furthermore, it was seen as another instrument to deepen and consolidate its relations with ASEAN and other maritime states such as Australia in order to solidify its strategic security position vis-à-vis China.<sup>105</sup>

These discussions and new directions of Japan's foreign policies are clear indications that Japan is increasingly devising a security policy of its own which is no longer just a reflection

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98 See *ibid.* (105).

99 See Pohl (1993) and Sudo (1988). To the background of Japan's changing foreign policies see Wanner (1997), Drifte (1996), Hunsberger (1996) and Maull (1994).

100 Quoted following Soeya (1994: 87).

101 See Hughes (1996).

102 See ADJ (3/1997: 56).

103 See also Ball/Kerr (1996). The bilateral security agreement between Australia and Indonesia see in: *ibid.* (143f.).

104 See also Dosch (1998: 150f.).

105 See also Kawasaki (1997).

of U.S. policy, as has been the case for the last 50 years.<sup>106</sup> In this regard, Japan's relations with China promise to be the key uncertainty in the new evolving regional security order of the 21st century although the bilateral relationship between China and the United States has generated the most attention and discussion in recent years.

In the view of many other East Asian states, too, Japan is expected to play a greater role in regional security than in the past when Japan's regional role was limited to provide Asian countries only *Official Development Aid* (ODA) and technical cooperation. Although Japan's public assistance and private investment still plays an important role in the ASEAN-states (such as in Singapore, Thailand, Malaysia)<sup>107</sup>, Japan has also sought a more active **political** role in the Asian region. This goal might not only be the result of a growing political self-confidence and a foreign encouragement, but also of a declining ODA budget which was always seen as an economic **and political** tool to promote Japan's sphere of interests in the region. Compared to 1995, it dropped 35 per cent in 1996 to 9.57 billion Yen<sup>108</sup> and in 1998, it has been predicted to decline further 30-40 percent compared to 1997<sup>109</sup>.

The Taiwan crisis and the Chinese missile tests as well as the *Senkaku-Diaoyu* islands dispute in 1996 have all heightened fears of a Chinese hegemony in Japan's political elite and public opinion. In doing so ASEAN's and Japan's interests in the South China dispute appear to converge because both have been alarmed by China's destabilising activities in the area. Tokyo also agrees with the ASEAN states and the United States that China has to be engaged as an equal partner rather than to be contained. This conclusion is also based on the fact that China is Japan's second-largest trading partner (after the United States), while it ranks first in China's foreign trade. By further widening the bilateral trade and by an increasing flow of Japanese and Chinese visitors into their countries<sup>110</sup>, the political and economic interdependence might increase in the long-run to an extent that will hopefully downplay any potential conflicts between both major powers in East Asia – albeit strategic trends in the domestic as well as foreign and security policies of both major Asian powers often seem to indicate the opposite trend towards a political and military rivalry.

With encouragement of the United States and other Western powers, Japan has also widened the tasks and missions of its *Self Defence Forces* when it had contributed troops to peacekeeping operations of the UN in limited roles (especially in Cambodia in 1991). The renewed security treaty with the United States in April 1996 and the negotiations to review the 1978 "*Guidelines for Defense Cooperation*" which have been finalized in September 1997 are

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106 To these directions see also Hook (1996).

107 Approximately 20 per cent of Japan's Foreign Direct Investment (FDI) and 30-35 per cent of Japan's total ODA go to the ASEAN states.

108 See Tsutomu Wada. *Nikkei Weekly* (14 April 1997).

109 See *Frankfurter Allgemeine Zeitung* (henceforth FAZ), (14 August 1997: 2).

110 The number of Japanese and Chinese visitors in their countries has jumped from 10.000 in 1972 to 1.1 million in 1995 whilst Chinese students in Japan account for 45 per cent of all foreign students – see *Mainichi Daily News* (2 April 1997).

– despite all inherent problems and unresolved issues – another indicator for Japan’s growing political role in East Asia.<sup>111</sup>

However, Japan is facing many obstacles – domestically as well as externally – on the way to assume a greater security role in Asia. The domestic and foreign criticism of the so-called “*Hashimoto-Doctrine*” (in continuity of the “*Miyazawa-doctrine*”) which has called for regular summits with ASEAN in order to discuss security, trade, investment and official aid for other countries, in January 1997 have indicated that both Japan and the ASEAN countries seem currently not fully prepared to accept new regional obligations and responsibilities taken over by Japan in the name of regional security.<sup>112</sup> It also revealed the ambivalent attitude of ASEAN towards Japan because – by holding those regular annual meetings – it would give Tokyo an exclusive and preeminent relationship with ASEAN becoming one of the world’s leading trading and investment bloc. ASEAN states feared it could offend China unless Beijing is offered similar treatment. Moreover, China could perceive such an alliance as another proof of a regional containment strategy directed by the United States and Japan.

At the same time, ASEAN member states are still concerned that a more assertive Japan could weaken the longstanding alliance with the United States and finally lead to a Japanese rearmament that might provoke similar responses from China. Moreover, Japan’s former strong man and Prime Minister *Ryutaro Hashimoto*, for instance, was the former president of the perceived nationalistic “*War Bereaved Families Association*” in Japan and has long sympathised with those who considered Japan as a victim rather than as an aggressor in World War II. Nonetheless, finally, the ASEAN states have modified the original *Hashimoto-Doctrine* and invited Japan, South Korea and China together to their 30th anniversary in Kuala Lumpur in December 1997 that has opened the perspective of regular discussions between ASEAN and these three Northeast Asian countries.<sup>113</sup> These annual East Asian summits can also contribute to a more visible role of Japan in the wider Asia-Pacific region.

The current financial and economic crises in East Asia and Japan, however, have posed further constraints to Japan’s economic and foreign policies in the region. Facing its own deflationary recession, Japan seemed initially unable to strengthen its economic ties to the ASEAN states in crisis and its new members Laos and Burma which would facilitate *Hashimoto’s* previously proposed “*broader and deeper*” ties beyond trade and investment as well as “*frank*” bilateral dialogues on regional security with each member of ASEAN. While ASEAN states sought also initially the help and support of Japan after the breakout of the financial and economic crisis in the summer of 1997, Japan was not the solution but rather one of the main

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111 See also Umbach (2000b: my chapter ‘The Future of the U.S.-Japanese Security Alliance’ in this book).

112 See, for instance, the Editorials of Asahi Evening News (25 January 1997) and Mainichi Daily News (8 January 1997).

113 See IHT (17 December 1997) and Neue Zuericher Zeitung (16 December 1997: 3).



problems in the region – a fact which has, meanwhile, also been recognised in other Asian countries (Taiwan).<sup>114</sup> In the summer of 1998 *Kenneth S. Curtis* warned:

“The stakes are very high. If Japan does not quickly chart a bold course, it is very unlikely that the yen, and thus the other economies of East Asia, can be stabilized. That would leave China with little option but to devalue in a desperate, if futile, move of self-protection. A competitive downspiral in East Asian currencies could drag down financial markets around the world. Japan has a choice. It can either be the No.1 problem or the solution.”<sup>115</sup>

Concerns over closer U.S.-Chinese relations and seeing China as the main rival to Japan’s role in Asia as well as U.S. criticism of a lack of Japanese leadership in trade talks before the APEC summit in November 1998<sup>116</sup> as part of a silent crisis of confidence between both sides<sup>117</sup>, have prompted Tokyo finally to come up by launching a joint finance and debt restructuring initiative with Washington. It included a \$10 billion Asia crisis fund as part of a \$30 billion initiative, so-called the “*New Miyazawa Initiative*”, to support Asia’s struggling private sector and lead the way out of the economic crisis.<sup>118</sup> In doing so Japan has strengthened its voice in the region but in general, it has in the view of the ASEAN member states played a rather disappointing role during the economic crisis. Furthermore, the changes in its political system – as a major prerequisite for a more efficient role of Japan in the region and world affairs – are still insufficient, particularly with regard to a critical reassessment of Japan’s past militaristic policies.

### 3.2 The Burden of History – The “*Ambiguous Japan*” as a “*Constraint Power*”

“According to the peace myth, the Japanese people are naturally peaceful, but were led awry by power-hunger militarists and monopolistic capitalists during World War II. Because the Japanese people are pacifistic, the peace myth argues that the atomic bombings were racially-motivated violence against innocent people rather than an effective way to end the war as many Americans believe. As the only major nation with a peace constitution, Japan has a responsibility, the myth asserts, to promote peace around the world. The peace myth, thus, combines, ideas of a universal world peace with Japanese uniqueness and tinges of anti-American nationalism. ...The peace myth does more to prevent Japanese reconciliation with Asia than any other myth because it casts Japan as a victim of war, not the aggressor, even as Japan tries to promote universal ‘world peace’.”

(So the Northeast Asian specialist *Robert J. Fouser* in a Korean newspaper in January 1997<sup>119</sup>)

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114 See also Thomas Crampton, IHT (1998: 14).

115 So Kenneth S. Curtis, the well-known strategist and chief economist for Asia-Pacific in the Tokyo office of the Deutsche Bank, in: IHT (23 June 1998).

116 See also Michiyo Nakamoto et al., FT (15 November 1998: 4).

117 That has been highlighted after Clinton’s visit in China when he made no stopover in Tokyo, thus leaving the impression that China has replaced Japan as the most important country for the U.S. in East Asia and that the U.S. engagement policy is taking place at the expense of the U.S.-Japanese relations – see also Breer (1998) and Tom Plate, IHT (2-3 May 1998: 6).

118 See Peter Montagnon/Shelly McNulty, FT (17 November 1998: 4).

119 Robert J. Fouser, TKH (22 January 1997: 6).

Most Japanese believe that their country has such a strong pacifist tradition that it will never start another aggressive policy or war. But the self-image of Japan provides a striking contrast to the perception of Japan in other East Asian countries. Any increased Japanese leadership, assertion of power or security role will almost automatically resemble Japan's aggressive and militaristic role in the first half of this century.<sup>120</sup> In the view of other Asian nations that suffered under the Japanese imperial policies before and during World War II, the official Japanese history (particularly in schoolbooks) of the first half of this century continues to create mistrust in the present foreign policy of Japan.<sup>121</sup> By opening new U.S. archives and studying archive material of the 1940s and 1950s, Japan is now confronted with additional historical facts and figures and thus with new burdens of the past. These historical burdens inevitably complicate Japan's foreign policies and non-proliferation efforts, particularly raising suspicions of its neighbors. Hence Japan's disputed historical interpretations have important implications on its present foreign policies. The creation of joint study groups for reviewing the history of the first half of the 20th century of Japanese and other Asian historians might help to bridge these gaps in the future. But it will take time and not help Japan on the way to assume a greater political role in the short- and mid-term.

Although most of the ASEAN states are often downright conciliatory and mostly do not expect Japan to adopt similar policies to those of the past – in contrast to China and South Korea which use these historical reminiscences as an argument against a stronger Japanese role in Asia –, they remain uncertain and fear, nevertheless, the impact it may have on China by strengthening its nationalism. Furthermore, as long as the Japanese political class does not really recognise its historical guilt and moral responsibility for its militaristic and aggressive policies, the foreign policy agenda will automatically lack a certain amount of trust and confidence. As *Kosaka Masataka*, a respected Japanese expert, stated in 1996: “*To face the issue of war responsibility firmly rather than finesse it may be the key task of Japan's security policy. If the Japanese spirit is corroded by continued evasion and equivocation, no amount of power, wisdom, or money will help.*”<sup>122</sup>

As long as the political elite of Japan is leaning towards a “*Japan-as-victim*” school of thought and as long as 150 lawmakers, including Prime Minister *Hashimoto* and two cabinet ministers, visit the *Yasukuni shrine* (dedicated to the spirits of deceased military personell including those executed as World War II war criminals) as in 1996 and 1997, the problem is, indeed, not Japan's past but present. Trust and confidence can only be granted and earned but not bought. As the Editorial of the *Far Eastern Economic Review* pointed out in May 1997: “*For the irony of Japan's revisionism is that at a time when the region is ripe for Japanese*

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120 To the context see Gong (1996).

121 See, for instance, the article by Kenichi Ito, TKH (22 May 1996: 6).

122 Kosoko Masataka (1996: 69).

*leadership, it sows suspicion among neighbors about Japanese motives and thus renders itself an ineffectual player on the world field.*"<sup>123</sup>

Japan has meanwhile admitted to the historical guilt of its former colonisation of Korea prior to the end of World War II, during *Kim Dae Jung's* visit in October 1998. However and in contrast to the unqualified "*apology*" for Japan's aggression on the Korean peninsula during 35 years at that visit<sup>124</sup>, the last summit talks with China during *Jiang Zemin's* visit in Tokyo in November 1998 highlighted Japan's inability to make peace with itself and its neighbors over its role in World War II and China's unwillingness to look forward to a constructive future.<sup>125</sup> As a German newspaper headline commented: "*The more Japan presses ahead, the more China looks back.*"<sup>126</sup> Although the communique worked out for the summit for the first time included the word of "*aggression*" specifically against China and expressed the "*deep remorse*" for the war, the Japanese government with the new Prime Minister *Keizo Obuchi* (since July 1998), under pressure from right-wing LDP legislators, refused to use the word "*apology*" (which many Japanese feel is more serious than the word '*remorse*') China insisted on in the joint declaration of "*a friendly partnership to advance peace and development*". Hence, the two leaders did not formally sign the document.<sup>127</sup> At the end, it reflected the rather disappointing summit, as well as the growing frictions, divisions and mounting mutual mistrust on a number of other controversial issues (Taiwan, theater missile defense, the U.S.-Japanese security alliance<sup>128</sup>) between Japan and China. As an editorial of a Korean newspaper concluded: "*Unfortunately, it is too often the case that we learn from history is that we do not learn from history.*"<sup>129</sup> Furthermore, the diplomatic humiliation of China's President *Jiang Zemin* when he failed to obtain an officially written apology about Japan's atrocities in China might have him made more vulnerable to conservative hardliners at home.

Like Germany in Europe, Japan's foreign and security policies can only be successful if Tokyo is able to build up trust and confidence and if its policies are pursued in the framework of multilateral economic and security associations and organizations. Any unilateral Japanese approach to strengthen its security role in Asia-Pacific, by contrary, would immediately raise

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123 'Not Ready for Prime Time. Japan's Future World Role' (1997).

124 See also Kevin Sullivan, IHT (9 October 1998: 1 and 6).

125 China's own history-writing has failed to recognise the fact of its own aggression and territorial incorporation and expansion, like all other major empires in history, in the process that produced modern China. As the Western historian on Chinese history, Geoff Wade, has argued: 'History, contrary to popular believe, did not begin with the camera, nor with the 20th century, and territorial aggression has been intrinsic to powerful polities since the earliest days of political organization. The fact that the Chinese states eventually won their aggressive battles, and the Japanese did not, gives us the states we have today, as well as a history that depicts Chinese territorial incorporation as a benevolent rather than aggressive, action' – see Wade (1998).

126 See Anette Schnepfen, FAZ (30 November 1998: 5).

127 See Nicholas D. Kristof, IHT (27 November 1998: 1 and 4), Landers/Lawrence (1998).

128 To the important implications of the TMD debate on the U.S.-Japanese security alliance and Japan's future security and defence policies see also Umbach (1999a).

129 Editorial, TKH (28 November 1998: 6).

distrust and concern among the Asian neighbors. But given the predominantly pacifist sentiments in public, the current interpretation of collective security in Japan's "*Peace Constitution*" that prohibits the country from deploying troops to settle international disputes (with the exception of traditional peacekeeping efforts but even these with a number of restrictions) and Asia's memories of Japanese aggression during the colonial rule and World War II, Japan's willingness and ability to assume a greater political and security role for regional stability will also in the future be limited for some time. "*Political leadership*" for Japan therefore can only translate into a rather "*silent diplomacy*" of Japan for the time being. To this extent, Tokyo's political ability of response to conflicts and disputes such as in the South China Sea will also be constrained. Against this background, *Yoshihide Soeya* concluded in 1996:

"Lacking a military option in its diplomacy, Japan can help to balance the scales of power in the region only by means of the US-Japan security alliance. However, Japan's dependence in the security realm makes ASEAN its natural partner in its pursuit of regional security cooperation in general and the South China Sea in particular."<sup>130</sup>

#### **4. The Impact of Great Powers on ASEAN-10: Implications for the Future of the Multilateralisation and Institutionalisation of ASEAN's Security**

Despite ASEAN's historical, political, economic, cultural, religious and ethnic diversity, the multilateralisation and institutionalisation of ASEAN's security have made significant progress since the creation of *ASEAN's Regional Forum (ARF)* in 1994 and of *the Council of Security Cooperation in Asia-Pacific (CSCAP)* in 1993/94.<sup>131</sup> These processes have helped ASEAN to assume the leading role in defining its goals, scope, and processes<sup>132</sup>, but they remain dependent on the political cohesion and unity of ASEAN as well as on the stability of the strategic triangle (China, Japan, and USA) in the Asia-Pacific region. Given ASEAN's ambivalent relations with China and Japan and the unclear triangular relationship among these major three powers in Asia-Pacific, the future process of multilateralisation and institutionalisation in Asia-Pacific remains uncertain, particularly in regard to the efficiency and effectivity of preventive diplomacy, conflict resolution and management.

Despite ASEAN's economically dynamic and successful regional economic cooperation and integration, the most important purpose and foremost *raison d'être* of the association will also in the future be political and strategic. Asia cannot prosper indefinitely without the confidence that comes from satisfactory security arrangements to cope with unpredictable events

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130 Soeya (1996).

131 A useful overview of the multilateralisation and institutionalisation of security in East Asia (including important documents of the ARF and CSCAP-process) provides Uhe (1996).

132 See also Ba (1997: 647).

and worst case-scenarios, which are underpinning all defence planning. But the new security arrangements within ongoing multilateralisation and institutionalisation processes are rather slowly emerging in the region. Although these processes will move forward and become even more important, the ARF's and CSCAP's main purpose for the time being seems to lie still in the field of *Confidence and Security Building Measures* (CSBMs as the OSCE/CSCE is doing it in Europe) and broader security discussions rather than becoming a multilateral or even a supranational institution for conflict resolution and management that is rather a long-term task.<sup>133</sup> Hence, realistically speaking, the ARF cannot replace firm security arrangements involving specific bi- or multi-lateral defence commitments (such as NATO's in Europe) in the foreseeable future. Those specific defence arrangements in Asia-Pacific are tailored in traditional bilateral defence and security treaties particularly with the United States.<sup>134</sup> An analysis of *"The Limits of the ASEAN Way"* already concluded in October 1997 that ASEAN *"must be careful not to exaggerate either its own influence or the applicability of its experience to the much more diverse membership and different circumstances of ARF."*<sup>135</sup>

In the mid-term, the security architecture of the Asian-Pacific region will comprise traditional and new bilateral relationships with new interwoven multilateral security arrangements such as the ARF and CSCAP rather than replace the bilateral security ties with the United States. Characteristically, the spectacular bilateral security treaty between Australia and Indonesia in December 1995, an enhanced forthcoming security accord between Australia and Singapore, the recent strengthening of the *Five Power Defence Arrangement* between Singapore-Malaysia-Australia-New Zealand and Great Britain<sup>136</sup>, and as well as rumours of a revival of a Philippine-U.S. security alliance<sup>137</sup> are indicators for the future importance of the bilateral security and defence ties between ASEAN and external powers. In that context, Australia plays an increasing role for ASEAN states as *Leonard C. Sebastian* has stated:

"These security arrangements can be viewed as an early indication of how the Asia-Pacific power balance will evolve over the next few decades. States in the region may opt for the Australian approach – a web of bilateral treaties with Australia at the centre – to give greater strategic depth rather than overdependence on the multilateral option which is cumbersome and prone to manipulation by self-interested powers. The hope is that in the time, the multilateral security approaches will be taken seriously enough – a number of non security concerns can only be dealt with through this medium."<sup>138</sup>

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133 This conclusion is based on numerous discussions and interviews with foreign and security experts of the ASEAN states, Japan, Australia and the United States made in Singapore, Malaysia and Washington during a research trip and attending several conferences (including a CSCAP-CSBM working group meeting) in May-June 1997.

134 Examples are the Singapore-US Memorandum of Understanding, signed in November 1990, or the still undisclosed military cooperation agreement between the U.S.A and Malaysia, entered into force in 1984 – see Chin Kin Wah (1993: 179f.).

135 Narine (1997: 978).

136 See Bickers (1997) and Sengupta (1997).

137 'Right as Ramos. Putting the U.S.-Philippine Alliance Together Again' (1997).

138 Sebastian (1996: 17).

At the same time, however, ASEAN has for the first time invited China, Japan and South Korea to an informal summit meeting (the “*Commemorative Summit*” to celebrate ASEAN’s 30th anniversary) at the end of 1997 in Malaysia. It marked a clear shift by ASEAN to engage the most influential dialogue partners of the ARF more closely than the other dialogue partners (the U.S. and Europe).<sup>139</sup> By admitting Laos, Cambodia (although this step has been postponed due to the current domestic crisis), ASEAN has taken another step of its strategy to shape a balance of power in a region that aims to become more independent of *all* major external powers – whether it be the United States, China or Japan. In this context, ASEAN’s moving to engage the rising power of China also helps to counterbalance the weight of the United States and Japan in order to shape an ASEAN defined new strategic order in East Asia.

But this kind of sensitive balancing of ASEAN’s weight vis-à-vis the three great powers in East Asia, is a very difficult one and needs a prudent strategy based on internal political coherence. An attempt to engage China at the expense of the United States, however, would automatically play into the hands of China and at the same time risk creating divisions in ASEAN. China is already promoting trade links with countries around the *Bay of Bengal* (Myanmar, Bangladesh and Thailand). By trading cheap arms in exchange for political support within the ARF on sensitive issues such as territorial conflicts, the U.S. military presence and the Taiwan question, Beijing is driving wedges into the political cohesiveness of ASEAN. Simultaneously, China’s strategic policies serve the expansion of its political influence in South- and Southeast Asia.<sup>140</sup>

The process of creating a regional common sense on crucial security questions and to increase the political leverage is thus also dependent on the future internal political cohesion of ASEAN. On ASEAN’s 30th anniversary, and with the admission of Cambodia, Laos and Myanmar to ASEAN, the future political perspectives of ASEAN seemed on the surface politically and economically very bright. But its future was also uncertain due to the still existing diversity of and perceptions within the association.<sup>141</sup> Myanmar’s admission was not only a contested debate within ASEAN itself but also between ASEAN and (its ARF dialogue partners) the U.S. and Europe. While ten members would theoretically have raised ASEAN’s political and economic voice on the world stage, its rather enhanced diversity through admitting these three new controversial members (particularly Myanmar) has also undermined the internal political cohesion (which has been strengthened over the last decade) as it was assumed previously because it decides and works on the basis of consensus.<sup>142</sup> Furthermore, almost all new members have little experience in the ASEAN tradition of “*agreeing to disagree without*

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139 James Kynge, FT (21 May 1997).

140 See Vatikiotis (1997a).

141 The latest Malaysia-Singapore dispute has also reflected a growing economic rivalry and add thus a new dimension to the longstanding bilateral conflict – see Far Eastern Economic Review (5 June 1997: 24).

142 To critical voices in ASEAN itself towards the admission of Myanmar see the Bangkok Editorial reprinted as PacNet Newsletter, Pacific Forum CSIS, No.12, (21 March 1997) and Wanandi (1997).

*being disagreeable*” (as Noordin Sopiee has admitted)<sup>143</sup>. As a result, ASEAN’s ability to act as a stabilising force has been diminished.

These problems have become even more complicated when one considers the current intra-ASEAN military cooperation. Despite ASEAN’s successful creation of a regional common sense on security in recent years, those tendencies have not been automatically transferred to a significant greater intra-ASEAN defence cooperation. Bi- and multilateral defence ties between the member states have certainly been increased, cumulating in numerous bi- and multilateral military exercises to a mutual benefit.<sup>144</sup> However, ASEAN’s defence cooperation has remained limited to the level of coping with low intensity threats such as piracy and smuggling. Exchanges of military intelligence, for instance, function only at the level of counter-insurgency operations. Defence links in ASEAN still lie more in the realms of confidence-building than in functional cooperation towards practical objectives such as joint defence planning, joint initiatives in arms purchasing and production, developing compatibility between different military doctrines and orders of battle and improving the interoperability between ASEAN’s armed forces.<sup>145</sup> An important exception is the cooperation regarding joint peacekeeping efforts, initiated in 1997. But these efforts are at the very beginning and reveal once again how difficult it still is to deepen the military dimension of intra-ASEAN cooperation. Characteristically, it is less ASEAN itself than the FPDA which opens channels for communication regarding defence issues. The Intra-ASEAN defence relationships are therefore still characterised by a strange mixture of cooperation, competition and latent conflict that provides a striking picture of ASEAN’s self-declared image of an established and successful regional security order. Thus in particular, the defence planning of both Singapore and Malaysia is still based on the mistrust between each other, stimulating their arms acquisition policies and new threat perceptions toward each other.<sup>146</sup> Depending on the definition, some experts called the nature of their arms acquisition process an “*arms race*”, others an “*arms dynamic*”, “*involving a fairly intense process of competitive military procurement, infrastructural development and operational planning, aimed at maintaining the military status quo between the two states*”<sup>147</sup> and “*non-cooperative in nature*”.<sup>148</sup> Two analyses have concluded:

“The absence of multilateral defence co-operation between ASEAN’s members, and the widespread lack of substance (other than in the sense of confidence-building) in bilateral defence co-operation indicate the most widely underestimated influence on defence policies in the region.”<sup>149</sup>

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143 Noordin Sopiee, New Strait Times (6 June 1997: 12).

144 See also, for instance, the interview with Singapore’s Chief of Navy, Rear Admiral Lim – see Lim (1997).

145 See also Huxley (1994) and Mak/Hamzah (1995).

146 The distrust between both states is the result of the separation of Singapore from the Federation of Malaysia in August 1965 that left a number of anomalies in their mutual defence and security policies – to the historical context see Huxley (1991).

147 Huxley (1994: 152).

148 Mak (1995: 316).

149 Huxley (1994: 151).

“ASEAN might never be a NATO but there is no reason why it should not present a more robust and united front to those who tend to ignore the association or take advantage of the ASEAN way. The combined forces of ASEAN are in total impressive in quantity and quality. But they are, it must be admitted, lacking in cohesion, definition of objectives, and even general cooperation. Major benefits would accrue if these limitations were to be addressed.”<sup>150</sup>

The deepening of intra-ASEAN defence cooperation is also important because ASEAN’s defence postures have begun to shift from an emphasis on counter-insurgency to conventional defence against external attacks. By combining their defence efforts, ASEAN would be able militarily to deter potential aggressors. As the Australian defence expert *Brian Cloughley* noted at the end of 1997:

“If there is not a vigorous response by the ASEAN members as a defence grouping they could find themselves not only isolated, militarily, concerning the Spratlys (as they appear to be at the moment, diplomatically witness the ARF meeting) but bereft of significant economic resources to which they otherwise might have been able to lay claim. The ASEAN way works well when gentlemen are involved, as they have been for so long. It might not be a solution when the seas are full of sharks.”<sup>151</sup>

Moreover, without raising transparency, intensifying *Confidence and Security Building Measures (CSBMs)* and deepening defence cooperation within ASEAN, misperceptions in crisis will potentially increase and might lead to preemptive or preventive military actions during crisis and conflicts. The current financial and economic crisis might have reduced or postponed concerns about those acquisition trends and their security implications. But unfortunately, the decline of regional defence expenditure has not only affected future procurement programmes, operations, and training but also defence cooperation between ASEAN member states, although the cuts are, in financial terms, rather insignificant. Normally, one could argue that defence cuts would result in enhanced rather than decreased defence cooperation by sharing the common costs of training and education.<sup>152</sup> Furthermore, as a result of cancelling joint training and exercise activities as well as decreasing the attendance of military officers at Staff Colleges in other countries disproportionately from the cuts in defence expenditures, the process of enhancing CSBM and raising military transparency in the region has been severely damaged.<sup>153</sup> In this field, too, multilateralism had lost momentum by 1997. If ASEAN wishes to avoid future intra-ASEAN security dilemmas and at the same time to increase its efficiency in defending its national and regional security interests, ASEAN member states must not only be willing to seriously discuss greater ASEAN security co-ordination, but also greater defence cooperation.

In the light of ASEAN-9 and the existing mistrust that stimulates competitive military doctrines and arms acquisition in ASEAN’s intra-defence relationships, ASEAN’s priority of

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150 Cloughley (1998: 12).

151 Ibid.

152 See Umbach (1998d: 37).

153 Ball (1998: 10 and 17).



widening instead of (a simultaneous) deepening of the multilateralisation and institutionalisation of ASEAN has also backfired – as previously assumed – in its security institutions (ARF and CSCAP) if one considers the specific case of Myanmar and its close political, economic and military ties to China. Given the need to forge a unified stand by consensus, it was already prior to the admission difficult to imagine, for instance, that ASEAN-9 (including Myanmar<sup>154</sup>) would ever back one of its members in a conflict with China, as it has done recently by throwing official support behind Vietnam in maritime disputes with Beijing in 1995 and 1997. By admitting Myanmar to ASEAN, the influence of China within ASEAN seems to have increased rather than reduced.<sup>155</sup> Hence, the widening process of ASEAN had so far rather limited ASEAN's capacity to act independently and critically towards great powers – particularly vis-à-vis Beijing. In this light, Myanmar might be even more challenging in the mid-term perspective for ASEAN than the current Cambodian crisis. Whether ASEAN is really able to deal with Myanmar “*more effectively*” in the long-term remains to be seen. By integrating these three countries, ASEAN is facing without doubtlessly for the mid-term perspective the greatest challenge for the grouping itself as well as for its external relations to the United States and Europe.

## **5. Impacts of the Financial and Economic Crisis in East Asia on the Future Balance of Forces – A Change in Leadership: The Decline of Japan and the Ascendancy of China?**

Despite the fact that the U.S. has retained the strategic balance of military power by declaring its intention to maintain 100,000 troops in the Asia-Pacific region as evidence of its commitment, human right concerns, a new “*donorgate*” scandal and other domestic issues in the U.S. Congress as well as the Western policies to punish Burma seemed to have driven the Southeast Asian states at the end of 1997 closer to China and Japan.<sup>156</sup> Washington's rather muted response to the currency and financial crisis in Southeast Asia has sowed new suspicions and fuelled conspiracy theories and renewed anti-American sentiment in the region. The slow response of the U.S. after the outbreak of the economic crisis with far-reaching impacts on Southeast Asian domestic and foreign policies, and the political instability in Indonesia with dangers of a “*Balkanisation*” as well as the re-emergence of traditional conflicts between ASEAN member states (such as between Malaysia and Singapore) have allowed particularly China to raise its influence at the expense of the U.S. and as a counterweight to the U.S.-Japanese security alliance. China, by contrast, has so far looked relatively stable both politically and economically. Moreover, Beijing initiated a diplomatic campaign to fashion a mod-

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154 To Myanmar's considerable political, economic and military dependence on China see Malik (1997), Gilley (1997) and Udai Bhanu Singh (1995).

155 See also Vatikiotis (1998: 27).

156 See also Vatikiotis (1997b).

ern version of the Middle Kingdom in the region. It included a \$1 billion aid-programme to the IMF-led rescue plan for Thailand and Indonesia.<sup>157</sup> In sum, it seemed that strategic balance of political influence tipped increasingly in favour of China, which has tried to capitalise on ASEAN's weakness and Japan's lack of leadership and its inability to scrap its "*virtual policy*" amidst the crisis in Southeast Asia.<sup>158</sup>

At the beginning of the crisis, Japan seemed to be a more accomodating economic ally. Despite the fact of increased Japanese foreign-aid programmes, including a \$30 billion rescue plan for the regional crisis in Southeast Asia, Tokyo, however, has been confronted with its own economic crisis<sup>159</sup>, affecting the political system and the bureaucracy to deal with it. Given the lack of leadership of Japan and America's initial slow response to the financial and economic crisis as well as its inability to communicate in Southeast Asia without raising suspicions, it seems at first glance that the economic woes have forced the Asia-Pacific region to forge closer relations with China. The so-called "*imperial intrigue*" between the Malaysian prime Minister *Mahathir Mohamed* and China's Premier *Li Peng* seemed to indicate in August and December 1997 during the first annual East Asian (ASEAN-plus-three) summit meeting those strategic trends. Furthermore, in the U.S. perception, China and ASEAN tried to foster a sense of unity by excluding the U.S.<sup>160</sup>

A closer look at the emergence of the new Middle Kingdom in China reveals, however, that in reality, neither Japan nor China can replace the U.S. in the Asia-Pacific region in its role as a stabilising force and the main balancer as well as the "*benign hegemon*" in the foreseeable future. Furthermore, though China has the political will, it is still lacking the economic power to assume Japan's role of any leadership. Its economy is six times that of China and accounts for more than 70 per cent of total East Asian economic output and purchasing power. Moreover, Tokyo has contributed \$19 billion towards coping with the Asian financial crisis whilst China has provided only 10-15 per cent of that amount.<sup>161</sup> Meanwhile, China itself has become infected by the Asian financial and currency crisis albeit mostly in different ways. It is confronted with a looming financial and banking crisis in the short-term and a more potential severe socio-economic destabilisation as well as a domestic political crisis in the mid-term perspective due to the current transformation and reform policies of its economic and political system undermining the communist ideology and the legitimisation of the politi-

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157 See TKH (16 December 1997: 12).

158 The term 'virtual policy' has been used by the U.S. deputy Treasury secretary, Lawrence Summers to criticise Japan's reluctant policies to stimulate the economy – see Nicholas D. Kristof, IHT (14-15 February 1998: 1 and 13). See also in context Dieter/Higgott (1998).

159 See also Sheryl WuDunn, IHT (13 March 1999: 1 and 4). To some positive changes in regard to deregulation, consumer needs and even to foreign investment see Clyde Prestowitz, FT (4 March 1999: 10).

160 See Vatikiotis/Hiebert/Forney (1997), James Kynge, FT (25 August 1997: 3) and Shoichi Kobayashi, TKH (30 September 1997: 6).

161 Japan is the world's second-largest economy, responsible for 15% of the world's GDP (second only to the U.S.). U.S.-Japanese trade is valued at close to \$200 billion dollars per year – three times that of U.S.-

cal regime. In the next few years, it will face unprecedented socio-economic challenges that might well therefore have impacts on the stability of the political system. It is also suffering from widespread unemployment with 100-130 million people (about the population of Japan), which will further increase in the next years. Corruption has become endemic whilst the economic progress is increasingly uneven between the coast and in the south on one side and the rural areas interior on the other side. Moreover, the export growth has declined since the end of 1998. Together with new trends of protectionism, slower growth in export markets, lower product prices and increasing competition from Latin America, the pressure to devalue the *renminbi* and to subsidise its exporters will increase and such a development can only threaten its WTO entry.<sup>162</sup> It might also result in Chinese efforts to take market share away from its Southeast Asian neighbors, which can lead to new economic and political conflicts between China and the ASEAN states. Against this background, China's self-image as a new Middle Kingdom, as an "*unsatisfied power*", provides still a striking picture with the economic and military realities as an "*incomplete great power*". Some Chinese economist experts have already concluded that "*China has turned from a regional stabilizer to a regional risk factor*".<sup>163</sup>

Moreover, the criticism of the U.S. and the West in general by some ASEAN states after the outbreak of the currency and financial crisis in the summer of 1997 was often very ambivalent and largely unconvincing. When outside help was offered, it was initially denied because it is not an "*Asian solution to Asian problems*". As Gerald Segal has concluded: "*Many of the Southeast Asians who used to deride the Americans and Europeans as powers in decline now complain that Westerners are not doing enough to assist them. ... The moaners in Southeast Asia are the most infuriating – the biggest free-riders on American deterrence of China and defense of the global economy, and yet the quickest to carp.*"<sup>164</sup>

Furthermore, the Malaysian security expert Joon Num Mak has reminded the ASEAN states that "*the 'ASEAN way' was effective in managing sub-regional tensions only because there was a security umbrella provided by the USA which look after the main external threats to the region.*"<sup>165</sup> Thus the criticism by some of the ASEAN states provided a striking contrast to the central economic and political role the U.S. played in the international organisations for working out specific rescue plans for the ASEAN states. Furthermore, in the security field, the U.S. – as a "*status quo power*" – has expanded its military-to-military cooperation not only with Japan, South Korea and Taiwan but also with some ASEAN states such as Singapore, Thailand and the Philippines in recent years. It has facilitated the forward presence of the U.S. armed forces in Asia-Pacific through activities such as port calls, repair, joint training

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China trade. US exports to Japan are 5-6 times those to China's. To these economic indicators and Japan's indispensable role to U.S. economic, political, and security interests see also Brookes (1998).

162 Sender (1999).

163 Quoted following *ibid.* (17).

164 Gerald Segal (2 December 1997: 8).

165 Num Mak (1998: 114).

and logistical support.<sup>166</sup> Ultimately, the financial and economic crisis has revealed that Southeast Asia's economic, political and military-strategic dependence from the U.S. and its strategic engagement in the region has increased rather than declined as a result of the multiple crises affecting the region.

## 6. Conclusions and Perspectives

While ASEAN has been enormously successful in developing informal approaches toward cooperation and in avoiding conflicts, it has undoubtedly increased its political and economic leverage over the last ten years due to its remarkable economic growth and its increasing intra-political and economic cooperation, despite the inherent diversity of ASEAN. Nonetheless, external factors will also in the future considerably influence the stability and future prosperity of the ASEAN-states. In this light, the political leverage of ASEAN for maintaining a peaceful change within its countries as well as within the entire region depends also on stable and peaceful relations within the triangular relationship of the United States, China and Japan.

Despite some sympathy for China in facing U.S. pressure, ASEAN has always been careful to side openly with China in the demand for a withdrawal of U.S. forces from East Asia. It agrees with China's call for a multipolar world, but for different reasons. Characteristically for the ambivalent relationship to China, several ASEAN countries have in recent years held joint exercises with the United States and allow the U.S.-7th Fleet to use repair and other facilities. Bilateral defence arrangements of some ASEAN countries with outside Western powers such as Britain, Australia and the United States have recently been strengthened because of Beijing's irredentist and expansionist tendencies that have resulted in an increasingly perceived Chinese hegemony in the ASEAN countries. However, each ASEAN state has a different attitude towards China's attempts to acquire a dominant or even a hegemonic position in East Asia. Moreover, as important as ASEAN's "*constructive engagement*" policy towards China might be, the development of Beijing's policies in the region depend primarily on the evolution of Chinese domestic politics on which China's neighbors have little or no direct influence.

The strategic value of the South China Sea crisis for all neighboring countries not only from assumed rich resources like oil, gas, minerals and fisheries but equally from the open and free movement of the major international shipping lanes in the South China Sea which are particularly essential for Japan, South Korea, Taiwan and Singapore. Nearly a quarter of the world's ocean freight and over half of the world's merchant fleet capacity passes through the South China Sea and the major Southeast Asian bottlenecks such as the Straits of Malacca,

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166 See also Secretary of Defense (1998) and Flamm (1998).

Sunda, and Lombok.<sup>167</sup> The signing of the 1982 *UN Convention of the Law of the Sea (UNCLOS)* and the spectacular economic growth and regional trade have reinforced the importance of the archipelagic sea-lanes in East Asia. The *Malacca Strait*, the alternative *Sunda* and *Lombok* passageways and the sea-lanes around the Spratly islands are now recognised as being one of the most critical bottlenecks, which are of vital security concern to virtually all states in South- and Northeast Asia. Any unilateral control of the maritime area and the major shipping lanes or any mining of those maritime bottlenecks<sup>168</sup> have widespread economic and military implications, as was the case during World War II when Japan used the Spratly islands as a military springboard for the invasion of the Philippines, Malaysia (formerly Malaya) and Indonesia (at that time, Dutch East Indies). The only real political solution seems to be a joint development of the potential oil and gas deposits. Thailand, Malaysia, Vietnam, Indonesia, Australia, Japan and South Korea have already chosen this approach for their mutual benefit. China as the main player and perceived potential hegemon, however, has so far not offered really the willingness for a joint development of disputed areas in the South China Sea despite all verbal assurances for a peaceful settlement of disputes. Beijing's willingness for a joint development remains dependent on the acceptance of China's sovereignty over the *Spratly* islands and almost the entire South China Sea as Chinese "*internal waters*".

Whilst China is perceived by all ASEAN countries – but to a different extent – as the main potential long-term threat to regional stability, Japan is perceived much more positively, as long as Tokyo does not totally dominate their economies and accepts them as equal partners, as well as limiting its military role to participation in multilateral manoeuvres in Southeast Asia. While the Chinese role and power is certainly growing and ASEAN sometimes uses Japan as a countervailing power to China's military might, Japan itself is eager to enhance cooperation and dialogue with ASEAN. The polite but cautious response to the "*Hashimoto-doctrine*" in the ASEAN-countries in 1997, however, has indicated that an enlarged Japanese leadership role in Asia seems to come primarily from within – thereby encouraged by the United States – rather than from the Asian neighbors. Given Japan's domestic and external constraints assuming such a greater role in regional security affairs, Japan's political options as a "*constraint power*" in dealing with volatile and politically charged challenges are still limited by a combination of domestic and external factors. In this light, Japan's government needs a strong political will to take over new security obligations and to initiate a broader and open security debate with the public in order to bolster new directions of its foreign and security policy. Like ASEAN's relations with China, the relationship and attitude of ASEAN's member states vis-à-vis Japan differ to some extent, including the question whether and to which extent Tokyo should shoulder more regional and international obligations in the field of security. Although there is a recognition within ASEAN of Japan's important contribution to

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167 See also Noer (1996).

168 See also Young (1996).

the region's economic growth and political stability, there remain ambivalent views of a larger Japanese political and security role.

Given the lasting mistrust of the Asian neighbors towards Japan due to historical sentiments and fears that might complicate ASEAN's relations with China, Tokyo can only assume a greater regional security role in a close security alliance with Washington that reassures the other East Asian states. Taking these circumstances into account, Japan's role will only increase and evolve gradually and incrementally. Nonetheless, Japanese experts have indicated that possible future security assistance might include supplying ASEAN states with military equipment and technologies, education and training of military personnel as well as developing close bi- and multi-lateral security consultations<sup>169</sup> (although these kinds of security assistance are not all totally new).

Against this background, and given China's suspicion of the redefined U.S.-Japanese Security Alliance, the United States and Japan need to demonstrate that the aim of their alliance is the preservation of regional peace and stability rather than the containment of China. In this regard, and considering Japan's repeated efforts to involve China in a closer bi- and multilateral security dialogue, ASEAN can play a useful role in reassuring China that the re-definition of the U.S.-Japanese security is in the interest of the entire region and not specifically directed against China. Beijing, in turn, has to recognise that disputes with Taiwan are only an internal matter as long as the bilateral conflict does not become violent and affect the security interests of other neighboring countries in East Asia.

Ultimately, however, the stability of the region will in future depend on a strong and sustained engagement policy by the United States, encompassing substantial political, economic and military means and stability in the strategic triangle during historic times when China, Japan and the United States are all strong Asian powers at the same time. Therefore, the question of China's future domestic stability and the direction of its foreign policies, as well as of the political coherence within ASEAN itself (particularly after the admission of its new members Laos and Myanmar to ASEAN-9), will largely determine the extent of ASEAN's ability to raise its voice in the region and on at global level. The more China follows an assertive or even aggressive policy, such as it has done in the South China Sea, the more ASEAN's relations with the other outside powers, namely to the United States and Japan, will once again become important. Those strategic trends in the wake of the financial and economic crisis that has been sweeping through East Asia since the summer of 1997 can already be identified. And the more ASEAN becomes dependent on these two powers, the more it will ultimately hamper or even reduce its own independent influence in the region and beyond. In such a case (which cannot be dismissed simply as a worst case scenario), the responsibility of the three major powers might become even more important for the stability of the strategic triangle and in doing so the entire Asia-Pacific region. In this light, the bilateral alliances of the U.S. with its

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169 See, for instance, Miyagawa (1996).

allies in the Asia-Pacific region, supplemented by the multilateral security organisations of ARF, CSCAP and other ‘*track-two*’ activities, will remain the bedrock of regional stability, particularly during times of transition of the socio-economic and political systems and the rise of China with its potential unprecedented economic, political and military power in the region.<sup>170</sup> In this context, the U.S.-Japan security alliance will remain the linchpin of ASEAN’s stability, Japan’s security in general and the maintenance of Japan’s, South Korea’s and Taiwan’s non-nuclear weapon status for the time being.

In order to raise its political leverage towards the major powers China, Japan and the United States, ASEAN must deepen internal cooperation and integration. Given continued suspicion and distrust among some ASEAN member states that hamper shared threat perceptions and defining common security policies, ASEAN also needs to increase internal political cohesiveness by deepening the cooperation within a defence network without creating a formal military alliance. By becoming a real security community, one can argue that these processes between ASEAN member states will inevitably stimulate the development of closer regional defence ties beyond the existing network of bilateral defence ties in the mid- and long-term – otherwise it will backfire on the political institutionalisation processes under way, including the multilateral ARF and CSCAP cooperation processes. ASEAN’s continued unity and vitality, by keeping the United States engaged in the region, might then become the crucial linchpin to the future regional and subregional stability in East Asia.

At the same time, ASEAN needs to recognise its constrained instruments to deal with pressing internal and external challenges. In this light, ASEAN has to redefine the ‘*Asian way*’ and concept of “*non-interference*” and to move to something that Malaysia’s Deputy Prime Minister, *Datuk Seri Anwar Ibrahim*, in 1997 called “*constructive interference*”.<sup>171</sup>

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170 See also Umbach (1998a).

171 ‘Time for Constructive Intervention: Anwar’, Sun (Malaysia, 17 July 1997: 16).

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